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Arizona Corporation Commission
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ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

SEP 13 2012

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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

GARY PIERCE, CHAIRMAN
PAUL NEWMAN
SANDRA D. KENNEDY
BOB STUMP
BRENDA BURNS

APPLICATION OF TRUXTON CANYON
WATER COMPANY, INC. FOR AN
INCREASE IN ITS WATER RATES

Docket No. W-02168A -11-0363

**NOTICE OF SETTLEMENT
AGREEMENT AND REQUEST FOR
EXPEDITED APPROVAL**

The Truxton Canyon Water Company, Inc. ("Truxton") and Valle Vista Property
Owners Association ("VVPOA") hereby notify the Arizona Corporation Commission
("Commission") of the Settlement Agreement between the parties set forth in Attachment

1. The Agreement involves agreed upon permanent rates for VVPOA subject to the
terms and conditions set forth in the Agreement. Truxton and VVPOA (collectively
"Parties") request the Commission approve the Settlement in an expedited manner.

The Parties believe the request to expedite the Settlement Agreement approval is

1 reasonable. Truxton provided Staff with a copy of the Settlement Agreement on July 20,
2 2012 for Staff's review and informed Staff of the intent to file the Settlement Agreement
3 for approval. Upon the date of this filing, Staff has had the Settlement Agreement for
4 nearly two months. Therefore, the Parties believe that expediting the approval process
5 will not prejudice Staff and will benefit the parties in this case.
6

7
8 RESPECTFULLY SUBMITTED this 13th day of September, 2012.

9 **MOYES SELLERS & HENDRICKS LTD.**

10
11 
12 Steve Wene

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14 Original and 13 copies of the foregoing
15 Filed this 13th day of September, 2012, with:

16 Docket Control
17 Arizona Corporation Commission
18 1200 West Washington
19 Phoenix, Arizona 85007

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Attachment 1

SETTLEMENT AGREEMENT

This Settlement Agreement ("Agreement") is hereby entered into this 16th day of July, 2012 between the parties set forth below. The purpose of this Agreement is to settle issues as they pertain to Valle Vista Property Owners Association ("VVPOA") relating to Truxton Canyon Water Company's ("Truxton" or "Company") application to increase its water rates under Arizona Corporation Commission ("Commission") Docket No. W-02168A-11-0363.

RECITALS

A. Truxton is a public service corporation engaged in providing water utility service near Kingman, Arizona.

B. On September 30, 2011, Truxton filed an application for rate increases with the Commission under Docket No. W-02168A-11-0363 using a Test Year ending June 30, 2011 (the "Rate Case"). In its filing, Truxton requested approval of the following Monthly Usage Charges by meter size: (1) 5/8" x 3/4" meter: \$14.00; (2) 3/4" meter: \$14.00; (3) 1" meter: \$35.00; (4) 1 1/2" meter: \$70.00; (5) 2" meter: \$112.00; (6) 3" meter: \$224.00; (7) 4" meter: \$350.00; and (8) 6" meter: \$700.00 (the "Monthly Usage Charge"). In its rate case application, Truxton requested approval for the following Commodity Charges (among others) per 1,000 gallons of water provided:

METER SIZE	USAGE	RATE PER 1,000 G
3/4" Meter	1-3,000 gallons	\$1.00
	3,001-10,000 gallons	\$1.51
	Over 10,000 gallons	\$2.50
2" Meter	1-80,000 gallons	\$1.51
	Over 80,000 gallons	\$2.50
4" Meter	1-250,000 gallons	\$1.51
	Over 250,000 gallons	\$2.50
6" Meter	1-500,000 gallons	\$1.51
	Over 500,000 gallons	\$2.50

C. On December 1, 2011, VVPOA moved to intervene in the Rate Case and intervention was granted by Procedural Order dated January 3, 2012. VVPOA represents the residents of the Valle Vista development located within Truxton's CC&N. The Valle Vista development is a planned community with approximately 4,300 lots and 850 existing homes. Valle Vista is located within Truxton's CC&N area for water service.

D. Valle Vista has a golf course, park, tennis court, and swimming pool, along with other recreational amenities. Those facilities and amenities are center pieces of the community and are a prime selling point for the community and its residents. VVPOA is a non-profit corporation acting as the property owners association for the Valle Vista development. VVPOA operates and manages the golf course, swimming pool and other community facilities. The membership of VVPOA is comprised strictly of property owners in Valle Vista.

E. The rate application filed by Truxton in the Rate Case proposes substantial rate increases for VVPOA as a customer of Truxton. VVPOA obtains irrigation water service through one 3/4" meter, two 2" meters, one 4" meter and one 6" meter. As such, the rates to be charged by Truxton for water service to VVPOA materially affect VVPOA's operations, the Valle Vista development and the interests of Valle Vista property owners. The purpose of VVPOA's intervention in the Rate Case is to address Truxton's proposed rate increases and the impacts of those rate increases on VVPOA and residential customers in the Valle Vista Development.

F. VVPOA has a long history with the Claude K. Neal Family Trust, which has provided irrigation water to Valle Vista since 1972. The Trust is the principal shareholder and owner of Truxton. The Trust had provided irrigation water to VVPOA since roughly 1972. The original contract rate was \$0.7213 per 1,000 gallons and the parties have been entering five year option periods for many years. The Trust and VVPOA entered a Water Supply Agreement on April 24, 2002, and the parties agreed to a five year option period in December 2006. That Agreement expired on December 31, 2011.

G. Under Decision No. 72386 issued by the Commission on May 27, 2011, VVPOA became a customer of Truxton and the Water Supply Agreement was assigned to Truxton subject to Truxton charging VVPOA the prevailing rate of \$1.1437 per 1,000 gallons under the 2002 Water Supply Agreement.

H. Under Decision No. 72724 issued on January 6, 2012 in Docket No. W-02168A-10-0247, the Commission ordered an interim commodity rate applicable to VVPOA of \$1.45 per 1,000 gallons (the "Interim Tariff"). In that Decision, the Commission also ordered that all monies collected through that Interim Tariff would be subject to true up in the Company's Rate Case. The Interim Tariff rate has been in effect for VVPOA since January 1, 2012.

I. In March, April and May, 2012, representatives of Truxton and VVPOA entered settlement discussions in an effort to mutually resolve Truxton's requested rate increases applicable to VVPOA. The parties engaged in good faith settlement discussions to reach agreement on acceptable commodity rates and other terms that would apply to water services provided by Truxton to VVPOA. VVPOA and Truxton reached agreement on the following terms and conditions as a compromise of the proposed charges and rates applicable to VVPOA in the Rate Case. The terms and conditions set forth below are the result of those discussions between VVPOA and Truxton.

J. The Parties stipulate and agree that the terms and conditions of this Agreement set forth below will serve the public interest by providing a just and reasonable resolution of the

issues presented by Truxton's Rate Case relating to VVPOA.

TERMS AND CONDITIONS

1.1 **COMMODITY RATE FOR VVPOA.** Truxton and VVPOA agree to the following commodity rates per 1,000 gallons of water provided to VVPOA for all water provided and delivered to VVPOA through its existing 3/4", 2", 3", 4" and 6" meters." For 0-15,000,000 gallons of water delivered each month, Truxton shall charge the rate of \$1.70 per 1,000 gallons. For over 15,000,000 gallons of water, Truxton shall charge the rate of \$1.90 per 1,000 gallons. Truxton further agrees that it will not seek any increase in these commodity rates applicable to VVPOA for a minimum period of three years after this Agreement is filed with the ACC. Upon execution of this Agreement, VVPOA agrees to pay the rates set forth in this paragraph for water service provided by Truxton beginning in the month following execution of this Agreement by the Parties.

1.2 **MONTHLY USAGE CHARGES:** VVPOA hereby agrees to the proposed Monthly Usage Charges contained in Truxton's Rate Application, Schedule H-3, filed on September 30, 2011. Those Monthly Usage Charges are listed in Recital B above.

1.3 **TRUE-UP:** Upon issuance of a final Commission order/decision accepting and approving the terms of this Agreement, VVPOA hereby agrees to a true-up for the water provided to VVPOA under the Interim Tariff as of January 1, 2012 at the rate of \$1.45/1000 gallons against the agreed rates set forth above in § 1.1. VVPOA shall make such true up payment within 10 days after issuance of a Commission decision approving the material terms of this Agreement. Truxton further understands and agrees that such true-up payment may be offset by the \$20,000 deposit paid by VVPOA under Decision 72724. The Parties also understand and agree that the \$20,000 deposit may be used by VVPOA to offset and as a credit against any payments for water service provided by Truxton.

1.4 **ARSENIC TREATMENT COSTS.** In its Rate Case, Truxton intends to seek authorization to recover costs for certain necessary arsenic treatment facilities to provide potable water service to customers. As a result, Truxton hereby acknowledges and agrees that it will not seek any surcharge or rate increase applicable to VVPOA for water service subject to this agreement relating to the cost of such arsenic treatment facilities.

1.5 **MONTHLY BILLINGS.** Truxton will bill VVPOA monthly based on water delivered to VVPOA, subject to applicable taxes and other approved charges.

1.6 **COMMISSION APPROVAL.** The Parties understand that the Commission must approve this Agreement. With respect to approval of this Agreement, the Parties agree as follows:

(a) Upon execution of this Agreement, the Parties will file a notice in the Rate Case docket, or any other docket as directed by ACC staff, notifying the Commission of the Agreement and requesting Commission approval of the terms and conditions set forth in this Agreement.

(b) The Parties shall support and defend this Agreement by filing testimony and/or other documents as may be required or necessary, appearing at any and all hearings, open meetings or other proceedings in the Rate Case, and taking any and all other steps reasonably necessary to obtain Commission adoption and approval of the material terms of this Agreement.

(c) The Parties expressly waive all rights to appeal a Commission decision adopting the material terms of this Agreement relating to any material term or condition of this Agreement. This provision does not prevent either Party from filing an appeal of such Commission decision on another ground unrelated to the terms and conditions set forth in this Agreement.

(d) As soon as reasonably possible after the Commission issues a final order approving the material terms of this Agreement, Truxton shall file compliance tariffs for Staff review and approval consistent with the terms and conditions set forth herein.

(e) In the event the Commission fails to issue an order adopting all material terms of this Agreement or adds material terms to this Agreement, VVPOA and/or Truxton may withdraw from this Agreement, and such party may pursue its respective remedies at law without prejudice. For the purposes of this Agreement, whether a term is material shall be left to the reasonable discretion of the party choosing to withdraw from the Agreement.

(f) Truxton and VVPOA agree that this Agreement will not have any binding force or effect until its material terms are adopted by decision or order of the Commission.

1.7 **MISCELLANEOUS TERMS.** With respect to the Parties' Agreement as set forth herein, the Parties further agree to the following general terms and conditions:

(a) That each person whose signature appears below is fully authorized and empowered to execute this Agreement.

(b) That each Party is represented by competent legal counsel and that they understand all of the terms of this Agreement, that it has had an opportunity to participate in the drafting of this Agreement and fully review this Agreement with its counsel before signing, and that it executes this Agreement with full knowledge of the terms of the Agreement.

(c) This Agreement represents the Parties' mutual desire to compromise and settle in good faith all disputed issues in a manner consistent with the public interest.

(d) All negotiations relating to this Agreement are privileged and confidential.

(e) This Agreement may be executed in counterparts. This Agreement

also may be executed electronically or by facsimile.

IN WITNESS WHEREOF, the parties have entered into this Agreement on the dates written below.

TRUXTON CANYON WATER COMPANY

By: 

Rick Neal

Its: Manager,

Date: 7/12/12

VALLE VISTA PROPERTY OWNERS ASSOCIATION

By: 

Name: RICHARD M. VERROT

Its: PRESIDENT

Date: 7/16/2012

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